

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3311
ANSWERED ON:05.08.2016
Loan from Non-Banking Companies
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Will the Minister of FINANCE be pleased to state:

- (a) whether the farmers are availing loans from Non-Banking Financial Companies (NBFC) and if so, the details thereof;
- (b) whether the Government has conducted any survey to find out the reasons for farmers availing loans from NBFC with higher interest rates;
- (c) if so, the details thereof;
- (d) whether the Government is contemplating to put any mechanism to help farmers to instant loans and to prevent them to go to NBFC for loans; and
- (e) if so, the details thereof along with the steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a): Reserve Bank of India (RBI) has reported that as on 31st March, 2016, 331 Non-Banking Financial Companies (NBFCs) registered with RBI have extended loan amount totaling Rs.45,205.67 crore to Agriculture Sector.

(b) to (e): RBI has reported that it has not conducted any such survey. However, in order to reduce the debt burden of farmers, ensure hassle-free agriculture credit from Banks and mitigate the hardships faced by farmers, Government/RBI/National Bank for Agriculture & Rural Development (NABARD) have taken the following major steps:

â€¢ The directions on Priority Sector Lending (PSL) issued by RBI mandate all Domestic Scheduled Commercial Banks to earmark 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, as on the corresponding date of the previous year, for lending to Agriculture.

â€¢ Loan to distressed farmers indebted to non-institutional lenders is an eligible category of farm credit under Priority Sector Lending (PSL) as per directions issued by RBI. This is intended to provide hassle-free institutional credit to farmers for repaying their debt to moneylenders.

â€¢ Government sets annual target for Banks for the flow of credit (both crop loan and term loan) to the agriculture sector. Banks have been consistently surpassing the annual target.

â€¢ In order to ensure that all eligible farmers are provided with hassle-free and timely credit by Banks for their agricultural operations, the Government has introduced the Kisan Credit Card (KCC) Scheme, which enables them to draw cash to purchase agricultural inputs such as seeds, fertilizers, pesticides as well as meet other agricultural and consumption needs. Tenant farmers, oral lessees and share croppers are also covered under the scheme. The KCC Scheme has since been simplified by providing the farmers with ATM enabled debit card based on one-time documentation and built-in cost escalation in the limit, etc.

â€¢ With a view to ensuring availability of agriculture credit by Public Sector Banks, Private Sector Commercial Banks, Cooperative Banks and Regional Rural Banks (RRBs) at a reduced interest rate of 7% p.a. to farmers, the Government of India implements an interest subvention scheme for short term crop loans up to Rs. 3.00 lakh. Under the said scheme, additional subvention of 3% is given to those farmers who repay their short term crop loan in time, thereby reducing the effective rate of interest to 4% p.a. for such farmers.

â€¢ To bring small, marginal, tenant farmers, oral lessees, etc. into the fold of institutional credit, Joint Liability Groups (JLGs) have been promoted by banks.

â€¢ Banks have been advised by RBI to waive margin/security requirements of agricultural loans upto Rs.1,00,000/-, vide RBI's circular dated 18th June, 2010.